



DEPARTMENT OF THE NAVY

NAVAL SEA SYSTEMS COMMAND
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IN REPLY REFER TO

7700
Ser 017/15
26 Mar 98

From: Commander, Naval Sea Systems Command

Subj: TOTAL OWNERSHIP COST REDUCTION

Encl: (1) Timetable for NAVSEA TOC Program Implementation

1. The purpose of this correspondence is to formalize the implementation of a Total Ownership Cost (TOC) reduction effort for NAVSEA programs, regardless of Acquisition Category (ACAT) or program life cycle phase.

2. Lowering the TOC of new acquisitions, as well as in-service systems, will increase the Navy's ability to recapitalize the fleet and pursue modernization efforts. The Cost Engineering and Industrial Analysis Office (SEA 017) has developed templates and a guidebook to assist Program Managers in implementing a TOC reduction effort. These materials are accessible at URL <http://www.navsea.navy.mil/sea017/toc.htm>.

3. SEA 017 is responsible for providing support to Program Managers in educating their workforce with respect to TOC and in developing TOC goals. Each Program Manager is responsible for establishing a baseline cost profile for assigned programs. This includes identifying the cost drivers and developing and executing a well-defined, measurable effort to drive down all aspects of TOC.

4. This significant effort requires the commitment of senior leadership within the Command. Enclosure (1) provides a timeline for implementation. The timeline calls for identification of pilot programs that will implement TOC reduction efforts on an accelerated schedule to comply with direction provided by Dr. Gansler at a recent Defense Systems Affordability Council off-site. Candidate programs, both fielded and new acquisition, will be identified and selected by June 1998. I expect each Directorate or PM/PEO to report progress towards implementing their TOC reduction program as part of the monthly SEA 00 staff meeting briefs and the quarterly metrics briefs to ASN(RD&A).

5. Questions regarding this correspondence should be directed to Mr. Pat Tamburrino, Jr., SEA 017, (703) 602-1209.

G. R. STERNER

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TIMETABLE FOR NAVSEA TOC PROGRAM IMPLEMENTATION

<u>DATE</u>	<u>EVENT</u>
March 12, 1998	<ul style="list-style-type: none">• Templates and Guidebooks posted to NAVSEA Web Site
April/May 1998	<ul style="list-style-type: none">• SEA017 train to PEOs and Directorates• Directorates/PEOs provide feedback on process, guidebooks and templates
June 1, 1998	<ul style="list-style-type: none">• PEOs nominate pilot programs to SEA 00
June 19, 1998	<ul style="list-style-type: none">• COMNAVSEA selects Pilot Programs and identifies to ASN(RD&A)
September 30, 1998	<ul style="list-style-type: none">• Formal TOC Goals established for pilot programs; progress towards regular status reporting of goals using metrics• ACAT 1&2 TOC Reduction Plans submitted to SEA 00 via SEA 017
December 30, 1998	<ul style="list-style-type: none">• Formal TOC Goals established for all ACAT I/II programs; progress towards regular status reporting of goals using metrics• ACAT 3&4 TOC Reduction Plans submitted to SEA 00 via SEA 017
June, 1999	<ul style="list-style-type: none">• Formal TOC Goals established for all ACAT III/IV programs & deployed systems; progress towards regular status reporting of goals using metrics

Enclosure (1)